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NSC 5708/2

June 29, 1957

NATIONAL SECURITY COUNCIL

U. S. POLICY TOWARD TURKEY

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NOTE BY THE EXECUTIVE SECRETARY
to the
NATIONAL SECURITY COUNCIL
on
U. S. POLICY TOWARD TURKEY

References:
A. NSC 5510/1
B. NSC 5610
C. NSC Actions Nos. 1486, 1560, 1624 and 1682
D. Memo for NSC from Executive Secretary, subject: "Report by the Interdepartmental Committee on Certain U. S. Aid Programs", dated December 5, 1956
E. NSC 5708
F. Memos for NSC from Executive Secretary, subject: "U. S. Policy Toward Turkey", dated March 11 and May 24, 1957
G. NSC 5708/1
H. NSC Action No. 1741

The National Security Council, the Under Secretary of the Treasury, and the Director, Bureau of the Budget, at the 328th Council meeting on June 26, 1957, adopted the statement of policy on the subject contained in NSC 5708/1, subject to the amendment thereto which is set forth in NSC Action No. 1741-b.

The President has this date approved the statement of policy in NSC 5708/1, as amended and adopted by the Council and enclosed herewith as NSC 5708/2; directs its implementation by all appropriate Executive departments and agencies of the U. S. Government; and designates the Operations Coordinating Board as the coordinating agency.

A Financial Appendix is also enclosed for the information of the Council.

The enclosed statement of policy, as adopted and approved, supersedes NSC 5510/1.

JAMES S. LAY, JR.
Executive Secretary

cc: The Secretary of the Treasury
The Director, Bureau of the Budget
The Chairman, Joint Chiefs of Staff
The Director of Central Intelligence

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STATEMENT OF U. S. POLICY
on
TURKEY

GENERAL CONSIDERATIONS

1. In the post-war period, Turkey has taken on particular importance in U. S. efforts to build a position of strength in the Near East. It is strategically located astride the Bosphorus-Dardanelles water passage from the Black Sea to the Mediterranean and has contiguous land frontiers with Russia and Bulgaria. Aware of Turkey's strategic importance, the USSR has exerted political pressures on Turkey and, more recently, offered economic assistance. However, Turkey has rejected these overtures and has remained aligned with the West.

2. Turkey has granted extensive military facilities to the United States which have great strategic value. SAC facilities in Turkey extend U. S. capabilities to mount effective air strikes in the event of hostilities with the USSR. Turkey is a link in the chain of U. S. military global communications. Facilities within Turkey have also been granted to the Navy. In addition, the headquarters of the NATO Commander Allied Land Forces Southeast Europe and of the 6th Allied Tactical Air Force are located at Izmir.

3. Turkey is consistently endeavoring to broaden and strengthen its ties with Western Europe and the United States,

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and is an active member of the United Nations and NATO. Turkey's military contribution in the Korean action was outstanding. At the Bandung Conference of Afro-Asian countries, Turkey boldly defended Western democratic principles in the face of Chinese Communist maneuvering and Asian neutralist activities.

4. The Turkish Government has played a very active part in the creation of two regional organizations to bolster security and stability in its area, the Balkan Pact and the Baghdad Pact. The more far-reaching in geographic impact was the Baghdad Pact formed in 1955. Turkey played a vigorous and skillful role in the organization of the Baghdad Pact, in which the United States saw the embodiment of the "Northern Tier" concept. Turkey has subsequently played a leading role in the activities of the Baghdad Pact and has actively urged the United States to adhere to the Pact and give it greater military and economic support.

5. Turkey can exert considerable influence on certain countries of the Middle East, both through the Baghdad Pact and independently. Turkey has taken an outspokenly pro-Western position in Middle East affairs and has therefore helped to stiffen opposition to ultranationalist and pro-Soviet influence in the area. The Turkish Government has maintained an open distrust of President Nasser and has countered sharply Egyptian propaganda efforts to weaken the Baghdad Pact. In the Suez Canal controversy, Turkey has stood

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firmly at the side of the United States. Turkey has viewed with particular concern growing Communist influence in Syria.

6. Because of the involvement of NATO countries, the United States has a serious concern in the long-standing dispute over the future political status of Cyprus. The population of Cyprus is 4/5 of Greek, and 1/5 of Turkish, origin. Since 1878, Cyprus has been a British colony, in which currently the U.K. maintains a large military force. Because Cyprus is so near the Turkish mainland, and because of concern for the ethnic Turkish minority, Turkey strongly opposes the desire of Greece that the Cypriot population be granted self-determination (which would inevitably result in a union of Cyprus with Greece). The United States has continued to emphasize to the Turks, the Greeks, and the British the need for flexibility in their positions to permit a solution of the problem.

7. Turkey is undergoing one of the most extensive social and political revolutions of modern times. Politically, it is the most stable country in the Middle East. In addition to strong leadership, the stability of Turkey derives in large part from the broad agricultural base of the country, in turn founded on a wide and effective land distribution system. A democratic form of government with a multi-party system is evolving and Western cultural concepts are being developed. But despite its great progress, the transformation of Turkey from a backward oriental despotism to a fully democratic

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institution is far from complete. Strong limitations on freedom of the press and restrictions on the right of political assembly reflect authoritarian leanings within the government. Strong control by the government of enterprise, its actual operation of certain major economic activities, and its control of labor inhibit the growth of a stable industrial middle class.

8. Turkey is in the throes of intensive national development which poses serious problems both for Turkey and for the United States in U. S. efforts to assist Turkey. In addition to its military program, the Turkish Government has been attempting to carry out a program of economic growth far in excess of its resources. The gross national product has increased; and the roads, harbors, power plants and factories which have been built should increasingly contribute to Turkey's economic strength. However, Turkey's foreign exchange resources are now virtually exhausted and a heavy external debt has been contracted. Some of the investment that has taken place has been misdirected and there appears to have been a considerable flight of capital from the country. Inflation is serious and the exchange rate of the Turkish lira is unrealistic. As internal prices rise and Turkey's credit standing deteriorates further, it becomes increasingly difficult for Turkey to compete in Western markets.

9. Thus far the Turkish Government has made only limited progress toward restoring economic stability. As a result of

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U. S. refusal in 1955 to provide a $300 million loan without prior economic reforms, recommendations by the International Monetary Fund in 1956, and pressures generated by internal economic and political developments, the Turkish Government imposed some limitations on new investment, bank credits and prices. However, after exhibiting some restraint through the fall of 1956, the Turkish Government has returned to a policy of increased developmental effort. Moreover, Turkey has not developed a comprehensive program which, based on effective utilization of total internal and available external resources, could effectively achieve a reasonable degree of economic stability. Basic measures, particularly a revaluation of the Turkish lira and a slowing up of the development program generally, are required. But it must be recognized that the Turkish Government, especially as the elections approach, is unlikely to undertake fundamental economic reforms. Nevertheless, continued U. S. efforts may have some influence on Turkish economic policy and may stimulate efforts to stabilize the economy, even in an election year.

10. In relation to U. S. aid, the United States must face three possible courses of action by the Turks: (a) a continuing refusal to slow down its investment program, to stabilize the economy and to take the necessary corrective action to remove the disparity between internal and external prices; (b) inconclusive and insufficient actions in these directions; (c) effective actions in these directions. The

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consequences of either of the first two courses of action will mean continuing balance of payments problems, a slacking off in new foreign credits, both governmental and private, inability to make payments on present heavy foreign indebtedness, shortages of imported items and internal inflation, and external resources requirements which the United States, even if willing, would be unable to meet from limited foreign aid resources. The third course of action could eventually result in greater Turkish economic strength and stability.

11. Stabilization of the Turkish economy is required in the mutual interest of the United States and Turkey. However, should categorical conditions be attached to the extending of U. S. aid, the Turkish Government might well reject these efforts as an unwarranted intrusion on Turkish sovereignty. Furthermore this action could have the undesirable result of imposing a severe strain on U. S.-Turkish relations and thus could possibly defeat its own objectives. If the United States can influence the Turkish Government toward economic reforms, it will be through persuasion and leadership.

12. The Turkish Government has committed Turkish ground and air forces to NATO wartime tactical command, and its naval forces under national command are assigned NATO missions in time of war. The NATO-recommended force goals, and the U. S. force goals for Turkey, which are substantially identical, are designed primarily to carry out the following missions: To resist direct Soviet attack as part of a concerted allied

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defense, to withstand an assault by satellite forces, to protect the vitally important Straits, to protect Turkey's southern flank, and to maintain internal security. Forces capable of achieving these missions should also be capable of providing some support to Turkey's Baghdad Pact neighbors, Iran and Iraq.

13. Turkish military forces are deeply patriotic, well-disciplined, and physically tough. The condition of the Turkish defense establishment has been greatly improved as a result of the U. S. military aid program. Yet much remains to be accomplished before Turkish military forces will be capable of carrying out their missions fully. A serious problem impeding a substantial improvement in the Turkish armed forces is the low level of education and technical training which generally prevails throughout the country, for which selective remedies can be provided in the case of the armed forces. This limitation impedes the absorption of additional materiel, which is required if the Turkish forces are to attain the level of effectiveness currently envisaged. Recently the Turkish Government has expressed grave concern over the increasing threat of Soviet penetration into the Near East, and has requested additional support to meet this threat.

14. As concerns military aid to Turkey, two pertinent U. S. studies have developed the principal military-economic considerations. The U. S. European Agencies Team has estimated that, to permit the Turkish armed forces to be strengthened in

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accordance with two alternative plans, a U. S. military aid program of either $500 million or $950 million will be required in Fiscal Year 1957-60. The Prochnow Report discussed these alternatives and a modification of one of them, estimating the amount of aid necessary to accomplish minimum U. S. military objectives on an austere basis at $727 million during the four-year period. This estimate, however, was based on an earlier (generally higher) pricing system in the Department of Defense. It provided for some modernization of the Turkish Army in conventional weapons, but did not provide for advanced weapons such as the Honest John, the NIKE, and the Century-series fighter aircraft.

15. Over-all military planning for the defense of NATO is based on the provision by the United States of advanced weapons to NATO members. Accordingly, it is in the U. S. interest to provide for Turkey such advanced weapons as are essential to accomplish the NATO mission in Turkey, taking into consideration the availability of U. S. resources and Turkey's technical capabilities to absorb such weapons. The provision of such weapons in Turkey may remove the feeling of disappointment held by Turkish leaders regarding fulfillment of the U. S. 1954 commitment for military aid, and also may afford the basis for a joint revaluation of Turkish military requirements.

16. The United States currently bears all dollar costs for military maintenance of the Turkish armed forces and will probably have to continue after FY 1960 to bear most of these

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costs. There is little likelihood that Turkey could bear these costs in the light of the present Turkish economic situation and continued heavy domestic pressures in Turkey to devote increases in production to improve living standards and investment for further development.

17. So far as Turkey itself is concerned, passage of the Joint Resolution on the Middle East has not added to the guarantee of support which Turkey now enjoys by virtue of its membership in NATO. Nor have Turkish military requirements, which are established in NATO, been reduced by passage of the Resolution. Any U. S. effort to reduce military aid to Turkey below present levels would have, in present circumstances, a disillusioning effect in Turkey.

OBJECTIVES

18. Continuance of Turkey's independence, territorial integrity, identification with the Free World, and will and ability to resist Communist invasion or subversion.

19. Continued Turkish cooperation in NATO and in strengthening other Free World regional security arrangements.

20. Continued maintenance of Turkish armed forces capable of resisting direct Soviet attack as part of a concerted allied defense, withstanding an assault by satellite forces, protecting the vitally important Straits, protecting Turkey's southern flank, and maintaining internal security; thereby also assisting Baghdad Pact defense.

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21. Continued access by the United States and its allies to Turkish resources and military facilities necessary for the preservation and further strengthening of the Free World.

22. Improved Turkish relations with Greece, the Arab States and Israel.

23. Achievement of a stable Turkish economy which can support an increasingly greater share of its defense expenditures, while maintaining investment outlays at realistic levels.

MAJOR POLICY GUIDANCE

General

24. Assist Turkey in developing the long-term economic and military strength which will assure its independence and counteract Communist attempts at penetration and subversion.

25. Continue to encourage Turkish recognition of the fact that the United States regards the security of Turkey as an important part of the security of the Atlantic Community and intends to develop an increasingly effective defense posture with Turkey within the resources of the two countries.

26. Continue to deal with Turkey as a NATO partner, and as a country capable of leading a bloc of Middle East countries ready to further collective security arrangements.

27. Deal in a friendly yet realistic manner with the Turks, making clear that the entire U. S. assistance program to Turkey is based on the assumption that Turkey will make

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progress toward economic stabilization and a realistic rate of exchange.

Military Assistance

28. During FY 1958, continue to support Turkish force levels of 20 8/3 divisions, 64 combatant ships, and 21 air force squadrons. The total military aid program for Turkey for the period FY 1957-60 should provide for appropriate advanced weapons, for appropriate conventional equipment, and for recurring maintenance costs. The United States should review the possibility of achieving a reduction in NATO-approved force levels for Turkey and, in phase with the effective integration of advanced weapons in the Turkish armed forces, appropriately revise Turkish force levels in the light of NATO requirements.

29. The rate of military build-up should not be used as a lever to force progress toward Turkish economic and financial stability. The rate of military build-up should continue to take into account Turkish capabilities to absorb and support the military program.

30. The broad objectives of our military aid program should be communicated to the Turks at an appropriate time. However, because of the limitations imposed by annual

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Congressional action and changing military concepts occasioned by the continuing development of more modern weapons, specific commitments should be made only on an annual basis.

31. Be prepared beyond FY 1960 to carry most of the dollar costs of military maintenance of the Turkish armed forces, estimated to be about $100 million annually for the forces as then equipped, exclusive of the costs of modernization.

Economic Assistance

32. Encourage the Turkish Government to take more effective actions to stabilize the economy and establish a realistic rate of exchange in order that Turkey's own resources as well as U. S. assistance can be more effectively utilized and progress made toward the creation of a stronger economy.

33. Provide economic aid of not more than approximately $100 million annually, unless Turkey takes reasonable steps toward stabilizing the economy and a realistic rate of exchange.

34. If Turkey proves willing to take reasonable steps toward economic stabilization and to establish a realistic rate of exchange, be prepared to provide special supplementary aid if necessary to assist in cushioning the initial impact of the readjustment in the rate of exchange, and subsequently to assist Turkey in the maintenance of a reasonable rate of economic development within the limits of the country's absorptive capacity.

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Turkish Relations with the Free World

35. Encourage Turkey to continue its active participation in regional security agreements.

36. Extend appropriate encouragement to Turkey in its efforts to establish good relations with the Arab States and Israel and to exert such influence as might have a stabilizing influence on those states.

37. Continue to exert influence on the Turkish Government to reach an accord with the United Kingdom and Greece for a settlement of the Cyprus question.

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U. S. POLICY TOWARD TURKEY

FINANCIAL APPENDIX

Cost estimates in the Financial Appendix indicate order of magnitude.

Approval of the policy statement does not indicate approval of cost estimates in the Financial Appendix.

Appropriations and expenditures to finance the policy will be subject to determination in the regular budgetary process.

SPECIAL NOTE

All estimates are subject to the assumptions, footnotes, and summary explanation shown below in this Financial Appendix.

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TURKEY

COMPARISON OF PROGRAMS

(Millions of Dollars)

	N.O.A. (FY 1957-60)			
	Prochnow Alternatives		P/B Proposed Policy	Annual Cost After FY-1960
	Lower Range	Higher Range		
Military	613	727	780 1/	100 2/
Economic and Technical	402	702	355 3/	100 3/
	1,015	1,429	1,135 3/	

1/ The total cost of $780 million for the military build-up contemplated by the proposed policy includes $593 million for conventional equipment (roughly equivalent to the $727 million, the higher range in the Prochnow Report, but repriced at the lower prices resulting from the new Department of Defense pricing policy and including provision for some modernization of the Navy) and $187 million for advanced weapons (for which no provision was made in the Prochnow estimates).

2/ Maintenance only; does not take into account continuing requirements for new weapons.

3/ For possibility of supplementary aid to assist exchange readjustment, see paragraph 34 of the policy paper.

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TURKEY

ESTIMATED COST OF THE PROPOSED POLICIES

Expenditures by Programs

FY 1955-FY 1960
(Millions of Dollars)

	Actual		Estimated				TOTAL
	1955	1956	1957	1958	1959	1960	1957-60
Military Assistance[1]	164.1	198.4	180.0	220.0	230.0	205.0	835.0 [2]
Defense Support and Other Economic Assist.	56.6	70.3	100.0	85.8	95.0	100.0	380.8
Technical Assistance	1.5	2.4	3.1	5.3	5.0	4.5	17.9
Information Services	.5	.4	.9	1.2	1.2	1.2	4.5
Educational Exchange	.1	.1	.4	.4	.5	.5	1.8
TOTAL	222.9	271.6	284.4	312.7	331.7	311.2	1,240.0

1/ Value of material shipments, plus expenditures for training; packing, handling, crating, and transportation; the cost of rehabilitating "excess stocks"; and the dollar cost of consumables and construction.

Expenditures for FY 1957 and thereafter reflect generally lower prices resulting from a change in the MAP pricing policy.

2/ This total of $835 million of expenditures for FY 1957-1960 compares with a figure of $751 million for the preceding four years.

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Department of Defense Comments

The expenditure estimates reflect an illustrative program for the further build-up and maintenance of Turkish forces, totaling $780 million for the four-year period FY 1957-60. This program, in general, encompasses the Modified Plan B as presented in the Prochnow Report with respect to conventional weapons and in addition provides certain advanced weapons not contemplated in the Prochnow Report. It should be noted that the advanced weapons programs for Turkey, for the most part, have yet to be approved by the Department of Defense.

Of the estimated $780 million in the new program, about $187 million is for advanced weapons, including F-100 aircraft, Honest John and NIKE, and the balance of $593 million provides for the build-up and some modernization of conventional equipment and for the recurring annual cost over the period of attrition, spares, ammunition and consumables. However, if no advanced weapons are furnished, some additional equipment modernization would probably have to be provided over and above the Modified Plan B particularly for the Air Force.

The conventional weapons and support included in the illustrative program are roughly equivalent to those provided in the Prochnow Modified Plan B, the cost of which was originally estimated at $727 million. Differences in cost are attributable to price changes resulting from the new Defense Department pricing policy for used equipment and to the normal changes in requirements which occur with the passage of time. The significance of the new pricing policy is illustrated by the reduction in unit price of medium tanks from the $190,000 used in the Prochnow costing to the $61,000 used in this costing. This represents a total reduction of $34.5 million in tanks alone for the years 1957-1958. Routine program changes, such as the substitution of trucks for more costly armored personnel carriers, also account for a large part of the difference.

After 1960, the cost to the United States for annual maintenance of the Turkish forces can be expected to average about $100 million. Such cost, however, does not take into account continuing requirements for new weapons. Nor does it provide for huge unsatisfied demands of the Turkish armed forces to achieve a higher level of equipping than provided under the Modified Plan B.

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ICA COMMENTS

1. Explanatory Notes. Non-military assistance prior to FY 1958 is defined as Defense Support, an appropriation category which includes both assistance in support of the military program and for economic purposes. Under new concepts being developed for the FY 1958 Congressional Presentation, Defense Support will be used in its literal, and therefore narrower, sense. Requests for economic development monies will be considered separately in conjunction with the proposed Worldwide Development Loan Fund.

It is planned to request from Congress $75 million for Defense Support for Turkey in FY 1958. No illustrative country breakdown is available for the proposed Development Loan Fund for economic purposes.

2. Assumptions. In accord with paras. 32-34, it is assumed that the U.S. in providing Defense Support and other MSP Economic Assistance to Turkey will give particular attention to the efforts of that country to bring about a greater degree of internal and external economic stability. The Defense Support and other MSP Economic Assistance expenditure estimates shown for FY 1958-60 are based on an estimated carryover of $80.8 million entering FY 1958 and for purposes of these estimates only, a tentatively estimated total program level of $100 million per year for FY 1958-60. It is assumed that the necessity for special supplementary aid to cushion the initial impact of a readjustment in the Turkish rate of exchange would be evaluated on the basis of circumstances prevailing at that time. It is tentatively estimated that between $25 million and $50 million might be required for this purpose.

The Technical Assistance expenditure estimates for future years are based on an estimated carryover of $3.3 million entering FY 1958 and estimated new availabilities averaging $5 million per year in FY 1958-60.

3. Composition of Programs. Non-military assistance dollar availabilities are being used to pay ocean freight costs for PL 480 shipments and other items and to provide Turkey with raw materials, semi-finished products and industrial items, such as machinery, vehicles and electrical equipment. Major projects include activities in the fields of coal mining, electric power generation, forestry development, livestock breeding; and assistance, in both dollars and counterpart, to the Turkish Industrial Development Bank for loans to private industry. Certain of these projects may be eligible for financing under the Development Loan Fund.

The Technical Assistance program emphasizes projects in the fields of agriculture, public administration, education, industrial management and transportation.

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4. PL 480. There have been three basic PL 480, Title I, sales agreements with Turkey. 50 percent of the local currency proceeds of these sales can be loaned to Turkey for economic development. The balance is reserved for U.S. uses.

PL 480 Title I Sales

Date	Amount
November 15, 1954	$28.9
March 12, 1956	15.5
November 12, 1956	68.8

In addition to the foregoing, the U.S. has programmed $15 million in PL 480 agricultural surpluses for Turkey under Title II and $22.5 million under Title III barter authority.

The total value of PL 480 agricultural surpluses programmed for Turkey to date is $151 million at world market prices.